No. 90-1255

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1990

THE NUTRASWEET COMPANY,

Petitioner,

v.

THE STADT CORP. and CUMBERLAND PACKING CORP.,

Respondents.

Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Seventh Circuit

BRIEF IN OPPOSITION

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COUNTER-STATEMENT OF QUESTION PRESENTED FOR REVIEW

Whether uniformly applied background colors for packaging can be exclusively appropriated under the Lanham Act when competition in the industry would be thereby restricted.

TABLE OF CONTENTS

Page

COUNTER-STATEMENT OF QUESTION PRESENTED FOR REVIEW i

TABLE OF CONTENTS ii

TABLE OF AUTHORITIES iii

COUNTER-STATEMENT OF CASE 1

REASONS FOR DENYING THE PETITION 3

The Decision Does Not Conflict With The Decisions of Other Courts of Appeal 3

Petitioner's Authorities Distinguished 4

The Standard Proposed by Petitioner Is Not Applied by Any Circuit Court and Its Adoption Would have Far Reaching Adverse Effects on Trademark Law 9

CONCLUSION 12

TABLE OF AUTHORITIES

Page

CASES

A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co., 201 U.S. 166, 26 S.Ct. 425, 50 L.Ed. 710 (1906) 1

Adickes v. S. H. Kress & Co., 398 U.S. 144, 90 S.Ct. 1598, 26 L.Ed.2d 149 (1970) 12

Application of Deister Concentrator Co., 289 F.2d 496 (CCPA 1961) 11

Campbell Soup Co., v. Armour & Co., 175 F.2d 795 (3d Cir. 1949) 4, 5, 6, 8

Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 467 F.Supp. 366 (S.D.N.Y.), *aff'd*, 604 F.2d 200 (2d Cir. 1979) 3

Deere & Co. v. Farmhand, Inc., 560 F.Supp. 85 (S.D. Iowa) *aff'd*, 721 F.2d 253 (8th Cir. 1983) 4

Diamond Match Co. v. Saginaw Match Co., 142 F. 727 (6th Cir. 1906) 7

First Brands Corp. v. Fred Meyer, Inc., 809 F.2d 1378 (9th Cir. 1987) 4, 6, 9

In re Data Packaging Corp., 453 F.2d 1300 (CCPA 1972) 5

In re Hehr Manufacturing Co., 279 F.2d 526 (CCPA 1960) 5

In re Owens-Corning Fiberglass Corp., 774 F.2d 1116 (Fed. Cir. 1985) 5, 6, 7, 8, 9

In re Todd Co., 290 F.2d 597 (CCPA 1961) 5

Keds Corp. v. Renee International Trading Corp., 888 F.2d 215 (1st Cir. 1989) 4, 5

TABLE OF AUTHORITIES – Continued

Page

Life Savers Corp. v. Curtiss Candy Co., 182 F.2d 4 (7th Cir. 1950) 2, 4, 5, 6

Mershon Co. v. Pachmayr, 220 F.2d 879 (9th Cir.) *cert. denied* 350 U.S. 885, 76 S.Ct. 139, 100 L.Ed. 780 (1955) 4

Nor-Am Chemical v. O.M. Scott & Sons, Co., 4 USPQ2d 1316 (E.D. Pa. 1987) 4

North Shore Laboratories Corp. v. Cohen, 721 F.2d 514 (5th Cir. 1983) 4

Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569 (2d Cir. 1959) *cert. denied* 362 U.S. 919, 805 S.Ct. 671, 4 L.Ed.2d 739 (1960) 3

Pope Automatic Machinery Co. v. McCrum Howell Co., 191 F. 979 (7th Cir.) *cert. denied* 223 U.S. 730, 56 L.Ed. 633, 32 S.Ct. 527 (1912) 11

Quabaug Rubber Co. v. Fabiano Shoe Co., 567 F.2d 154 (1st Cir. 1977) 3, 5

Tas-T-Nut Co. v. Variety Nut & Date Co., 245 F.2d 3 (6th Cir. 1957) 4

Volkswagenwerk Aktiengesellschaft v. Rickard, 492 F.2d 474 (5th Cir. 1974) 4

COUNTER-STATEMENT OF THE CASE

The legal principles which govern this decision have been well established by this court and the federal courts for many years, from the days of *A. Leschen & Sons Rope Co. v. Broderick & Bascom Rope Co.*, 201 U.S. 166, 26 S.Ct. 425, 50 L.Ed. 710 (1906). The decision below that "mere color", in the form of a uniform background color for conventional packaging, cannot be exclusively appropriated under the trademark laws when this would restrict competition in the relevant industry, was in accord with the prevailing body of law in every circuit. Petitioner seeks to have this case reviewed because of an alleged "split" between the circuits. No such split exists; the approach urged by petitioner is at odds with all the prevailing law.

The parties are competitors in the tabletop sweetener industry. Petitioner and respondents sell granulated sugar substitute in paper packets both to the retail and to the food service trade. Respondent Cumberland Packing Corp. ("Cumberland") has distributed its SWEET'N LOW brand since 1958. Petitioner has distributed its EQUAL brand since about 1981. Other producers distribute other brand of sugar substitute in paper packets.

It is customary in the industry for sugar substitute packets to be made of colored paper. This practice was born from the need to make sugar substitute packets easily distinguishable from packets of "real sugar", which are customarily made of white paper. For example, packets of sugar and sugar substitute are often intermingled in bowls on restaurant tables. Cumberland has always distributed its SWEET'N LOW sugar substitute in

pink packets. Other sugar substitute producers also market their brands in pink packets. Alberto-Culver Company markets its SUGAR TWIN sugar substitute in packets made of yellow paper, and producers of other brands also use yellow packets. Petitioner has distributed its EQUAL brand sugar substitute in blue packets since 1982, and respondents began distributing their SWEET ONE sugar substitute in blue packets in 1989.

Petitioner brought suit in the District Court for the Northern District of Illinois seeking to enjoin respondents from selling their sugar substitute in blue packets. Respondents moved for summary judgment based on the prevailing law that mere color cannot be monopolized to distinguish a product except in connection with some definite arbitrary symbol or design. *Life Savers Corp. v. Curtiss Candy Co.*, 182 F.2d 4,7 (7th Cir. 1950).

Petitioner did not deny that it was seeking to monopolize a "mere color". Instead petitioner argued that its background color had acquired secondary meaning. The district court granted summary judgment and petitioner appealed to the Seventh Circuit Court of Appeals. In affirming the district court's decision, the Seventh Circuit adhered to the traditional rule that the overall color of a product cannot be exclusively owned as a trade identity when future competition would thereby be restricted, expressly finding that in the sweetener industry, permitting each of the existing competitors to appropriate a particular color for its product, would likely deter new entrants from entering the sweetener market.

REASONS FOR DENYING THE PETITION

The Seventh Circuit's decision followed well-settled principles which are recognized and applied by every circuit court in the land. No "direct conflict" exists as alleged by petitioner. Furthermore, the approach urged by petitioner is directly contrary to the law prevailing in every circuit, and the consequences of adopting petitioner's approach would reach far beyond the law concerning the protectability of colors.

I

The Decision Does Not Conflict With The Decisions Of Other Courts Of Appeal

The Court of Appeal's decision does not conflict with applicable decisions of this court or of another court of appeals on the same matter. The principle that mere color cannot be monopolized under the trademark laws when the effect would be to hinder competition was the law long before the 1946 Lanham Act, and continues to be the law after the act, as verified by the following authorities. *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154,161 (1st Cir. 1977) (yellow-colored oval mark; color alone cannot be appropriated as a trademark); *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366, 374 (S.D.N.Y.) (one cannot acquire a trademark by color alone), *aff'd*, 604 F.2d 200 (2d Cir. 1979); *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569,572 (2d Cir. 1959) (pink medicinal liquid; that a color may become someone's exclusive property has been rejected by the courts throughout the years), *cert. denied*, 362 U.S. 919, 80 S.Ct.

671, 4 L.Ed.2d 739 (1960); *Campbell Soup Co., v. Armour & Co.*, 175 F.2d 795, 798 (3d Cir. 1949) (no exclusive use of half red and half white labels; one cannot acquire a trademark by color alone); *North Shore Laboratories Corp. v. Cohen*, 721 F.2d 514,523 (5th Cir. 1983) (courts have uniformly rejected sanctioning exclusive rights to product color); *Volkswagenwerk Aktiengesellschaft v. Rickard*, 492 F.2d 474,480 (5th Cir. 1974) (automobile manufacturer has no right in color blue per se); *Tas-T-Nut Co. v. Variety Nut & Date Co.*, 245 F.2d 3,6 (6th Cir. 1957) (clear that one could acquire no proprietary right in the color or colors used on its packages, as such); *Life Savers Corp. v. Curtiss Candy Co.*, 182 F.2d 4,9 (7th Cir. 1950) (no exclusive use of multi-colored stripes on packaging; color cannot be monopolized to distinguish a product); *Deere & Co. v. Farmhand, Inc.*, 560 F.Supp. 85 (S.D. Iowa), *aff'd*, 721 F.2d 253 (8th Cir. 1983); *Mershon Co. v. Pachmayr*, 220 F.2d 879,883 (9th Cir.) (white line on green recoil-pad; color alone cannot be protected as a mark), *cert. denied*, 350 U.S. 885, 76 S.Ct. 139, 100 L.Ed. 780 (1955). *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378,1382 (9th Cir. 1987) (yellow color for antifreeze containers cannot be protected; the general rule remains that an element of distinctiveness of shape in combination with the color must exist before a trademark will be granted); *Nor-Am Chemical v. O.M. Scott & Sons Co.*, 4 USPQ2d 1316 (E.D. Pa. 1987) (blue color for fertilizer not subject to exclusivity; in this circuit, *Campbell Soup* is still binding precedent).

II

Petitioner's Authorities Distinguished

Petitioner relies principally upon the First Circuit decision in *Keds Corp. v. Renee International Trading Corp.*,

888 F.2d 215 (1st Cir. 1989) and the Federal Circuit decision in *In re Owens-Corning Fiberglass Corp.*, 774 F.2d 1116 (Fed. Cir. 1985), to support its position that the Seventh Circuit's decision in this case has created "a direct split" between the circuits. However, when these cases are read in context, it will be found that the same fundamental legal principles were applied to the particular facts in each of those decisions, as was applied by the Seventh Circuit in this case, and that there is no split between the circuits.

The First Circuit's decision in *Keds* is readily distinguishable from the present case on the basis of the nature of the mark. The mark considered in *Keds* was a blue *rectangle*. There is little question that a mark consisting of a color confined within some definite arbitrary design, is capable of being registered and protected. See, e.g. *In re Data Packaging Corp.*, 453 F.2d 1300,1303 (CCPA 1972); *In re Todd Co.*, 290 F.2d 597,600, (CCPA 1961); *In re Hehr Manufacturing Co.*, 279 F.2d 526,528, (CCPA 1960); *Quabaug Rubber Co., supra*, 567 F.2d at 161; *Campbell Soup Co., supra*, 175 F.2d at 798; *Life Savers Corp., supra*, 182 F.2d at 9.

However, color that is uniformly applied to a product, such as a background color on conventional packaging, is not color which is used in connection with an arbitrary design. Thus, the mark considered in *Keds* was not a "mere color". The First Circuit said, "[a]lthough a company may not be able to trademark a color, color in combination with a distinctive design or shape may be trademarked if it develops a secondary meaning. (citing cases)." 888 F.2d at 221.

The Federal Circuit applied the same legal principles in its decision in *Owens-Corning* as were applied by the Seventh Circuit in this case. However, the facts of *Owens-Corning* presented an "extraordinary" fact situation. *First Brands Corp., supra,* 809 F.2d at 1382. That the Federal Circuit applied precisely the same principles is readily seen from the following discussion of the rationale behind the mere color rule.

The rule against appropriating uniformly applied ("mere") colors is premised on the "color depletion theory." For example, in *Life Savers, supra,* the Seventh Circuit adopted the mere color rule, relying on the definitive statement of the "color depletion theory" made by the Third Circuit Court of Appeals in *Campbell Soup Co., supra.* In that case, Campbell Soup sought an injunction to stop Armour's use of a red and white label in the packaging of its food products. The court recognized that Campbell was attempting to obtain exclusive rights to the uniform use of the colors red and white as background colors for food packaging, and made the often-cited observation regarding "color depletion": "[i]f they may thus monopolize red in all of its shades, the next manufacturer may monopolize orange in all of its shades, and the next yellow in the same way. Obviously, the list of colors will soon run out." *Id.* at 798.

The color depletion theory is premised on the fact that there are relatively few colors available in any line of commerce and the belief that to give one manufacturer exclusive rights to the uniform, non-distinctive use of a particular color for its product or packaging, would be anti-competitive because competitors and potential new entrants would therefore have only a depleted reservoir

of colors from which to select and would be deterred by the resulting marketing and other limitations placed upon their products. *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727 (6th Cir. 1906). It is generally customary to color a product or its packaging, and a competitor introducing a new product, or a potential new entrant, would be placed at a competitive disadvantage if one or more (or all) suitable colors for its packaging have already been allocated to previous competitors.

The applicability of the color depletion theory to the facts of this case is apparent. The district court found that the record established that sugar substitute packets are customarily a color other than white, and concluded that it is beyond reasonable dispute that there is an industry need for the use of color for sugar substitute packets. The Seventh Circuit expressly found that if each of the competitors presently in the tabletop sweetener market were permitted to appropriate a particular color for its product, new entrants would be deterred from entering the market.

A very different situation was presented to the Federal Circuit in the *Owens-Corning* case. *Owens-Corning* was an *ex parte* trademark registration case. Owens-Corning Corp. marketed residential fibrous glass insulation which it dyed pink. It applied in the United States Patent and Trademark Office to register the color pink as a trademark for its insulation. The Examiner and Board of Appeals refused registration. On appeal from the Board's decision, the Federal Circuit approved a narrow exception to the mere color rule, limited to the particular unusual facts of that case.

The court noted that Owens-Corning was the *only* manufacturer in the entire residential fibrous glass insulation industry that dyed its insulation. *Owens-Corning, supra,* 774 F.2d at 1122. Every single manufacturer except Owens-Corning left its insulation in its natural color; *Owens-Corning had been the only user of a color for twenty-nine years. Id.* at 1125. There was no evidence whatsoever of any practice in that industry of dying insulation any color different than its natural color. *Id.* at 1122. As such, the unique record in that case demonstrated there was no need or intent on the part of the small number of entrants in the field to use any color whatsoever. *Id.*

The court in *Owens-Corning* observed that the basis for the mere color rule was the color depletion theory of *Campbell Soup* in which the Third Circuit Court of Appeals refused to protect the color red for labels *"in an industry where colored labels were customary", Owens-Corning, supra,* 774 F.2d at 1120 (emphasis added). The court specifically approved the color depletion theory *"for appropriate application." Id.* at 1120 (emphasis added). Because the facts showed that there was no underlying competitive need in the insulation industry for colors to remain available, the Federal Circuit concluded that Owens-Corning was entitled to a trademark registration for use of the color pink on fiber glass insulation.

The Federal Circuit expressly approved the color depletion theory to bar registration of color alone, unless no need existed for colors to remain available in the particular industry. As stated by the Ninth Circuit,

> "Carbide argues that under *Owens-Corning*, the color depletion theory is no longer valid. That case, however, specifically held that the color

> depletion theory 'is *not* faulted for appropriate application.' (Emphasis added here). On the contrary, *Owens-Corning* continues to apply the color depletion theory unless there is no competitive need for the color in a particular industry." *First Brands, supra,* 809 F.2d at 1382.

It is seen from the foregoing that the fundamental principles applied by the Federal Circuit in *Owens-Corning* were precisely the same as those applied by the Seventh Circuit in this case. The Federal Circuit expressly recognized and approved the "appropriate application" of the mere color rule. *Owens-Corning, supra,* 774 F.2d at 1120. This case does not present the extraordinary fact situation which was presented in *Owens-Corning.*

It is clear that the Seventh Circuit did not decide this case according to different principles than those applied by the Federal Circuit or in a way which conflicts with any other applicable decisions of another court of appeals on the same matter.

III

The Standard Proposed by Petitioner is Not Applied by Any Circuit Court and Its Adoption Would Have Far Reaching Adverse Effects on Trademark Law

Petitioner argues that the language of the Lanham Act is "unrestricted" and that "any" and "every" brand-identifier is entitled to trademark protection under the Lanham Act. The broad statutory definition of the Lanham Act, according to petitioner, does not contemplate any exceptions. Petitioner therefore proposes a standard under which the only relevant issue in considering the

protectability of "a mere color" is whether it has acquired secondary meaning.

First, the standard which petitioner proposes is at odds with the law that prevails in every other circuit. Petitioner has not identified a single case in which the issue of protectability of a "mere color" is decided solely on the basis of whether the color had acquired a secondary meaning.

Petitioner argues that the Seventh Circuit ignored the clear language of the Lanham Act. This is not true. The rule against appropriating "mere color" as trademarks is a public policy that reflects a balancing by which the law of trademarks accommodates the policy against hindering competition through the depletion of the limited number of colors available to competitors. Where the appropriation of colors by competitors in an industry will result in the deterrence of competition in that industry, public policy requires that the trademark law accommodates the policy against hindering competition.

Adopting the standard proposed by petitioner by which all judicially-created exceptions to the Lanham Act are rejected, so that uniform background colors would be protectable merely upon a showing of secondary meaning, would have adverse effects that reach far beyond the law regarding the protectability of mere color. For example, the "doctrine of functionality" in trademark law is also universally applied throughout the regional and federal circuits. Like the mere color rule, the doctrine of functionality is a judicially-created exception to the Lanham Act. Whereas the overriding concern of the mere color rule is that sufficient colors be available to satisfy

the competitive needs of a particular industry, the doctrine of functionality seeks to avoid a clash with the federal patent laws by preventing protection of functional features of a product or its packaging under the guise of the trademark laws. *Pope Automatic Machinery Co. v. McCrum Howell Co.*, 191 F. 979 (7th Cir.), *cert. denied*, 223 U.S. 730, 56 L.Ed. 633, 32 S.Ct. 527 (1912). Although there is no doubt that functional features of a product can acquire secondary meaning and thus function as brand-identifiers, the fact that functional features cannot be protected under the trademark laws has never been questioned.

In *Application of Deister Concentrator Co.*, 289 F.2d 496, 504 (CCPA 1961), the court held:

> " . . . as to some . . . [product features] the courts will never apply the 'secondary meaning' doctrine so as to create monopoly rights. The true basis of such holdings is not that they cannot or do not indicate source to the purchasing public, but that there is an overriding public policy in preventing their monopolization, of preserving the public right to copy. A certain amount of customer confusion may even be tolerated in order to give the public the advantages of free competition."

No case has been cited by petitioner in which the overriding public policy against monopolization of "mere color", in industries where a need for colors is clear and recognized, is ignored solely on the basis of secondary meaning.

It only remains to point out that there are certain inaccuracies and misleading statements in the Petition For a Writ of Certiorari. For example, there is no record

support for petitioner's allegations that the color of sugar substitute packets is the only element of the packet design that is visible to food service patrons, or that the sweetener market is one in which consumers have little choice but to rely on packet color for purposes of selecting a brand. In any event, issues relating to such aspects of the market are not relevant to the application of the mere color rule. Petitioner's reference to "the limited number of competitors", in addition to being contrary to the record, was raised for the first time on appeal and therefore should not be considered. *Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 90 S.Ct. 1598, 26 L.Ed.2d 149 (1970).

CONCLUSION

It is respectfully submitted that petitioner has wholly failed to sustain its burden of establishing under Rule 10 that there are special and important reasons why the writ should be granted. The decision below is not in conflict with the decision of another United States Court of Appeals, and the standard proposed by petitioner is at

odds with the prevailing law in every circuit. The petition should be denied.

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